news release

Mandarin Oriental International Limited

Jardine House, 33-35 Reid Street
Hamilton HM EX, Bermuda

Announcement

11th March 2021

The following announcement was issued today to a Regulatory Information Service approved by the Financial Conduct Authority in the United Kingdom.

MANDARIN ORIENTAL INTERNATIONAL LIMITED
2020 PRELIMINARY ANNOUNCEMENT OF RESULTS

HIGHLIGHTS

- Underlying loss of US$206 million
- COVID-19 travel restrictions dramatically reduced demand
- Extensive cost reduction measures implemented across the business
- Robust liquidity and funding position
- Development pipeline remains solid and four new management contracts signed
- No dividend proposed for 2020

"2020 was an extremely difficult year with a significant reduction in global travel. Management actions, together with financial support by governments in some markets, led to lower losses in the second half of the year. Trading conditions remain extremely challenging, and an underlying loss is expected for the first half of 2021. The outlook for the full year remains highly uncertain, and will be dependent on the removal of barriers to travel and continuation of government support measures. Mandarin Oriental remains in a strong competitive position, however, with robust liquidity and a powerful brand that customers will return to when travel restrictions allow."

Ben Keswick
Chairman

RESULTS

	Year ended 31st December		
	2020	2019	Change
	US$m	US$m	%
Combined total revenue of hotels under management[(1)]	**593.0**	1,325.1	–55
Revenue	**183.7**	566.5	–68
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation)[(2)]	**(74.2)**	154.5	n/a
Underlying (loss)/profit attributable to shareholders[(3)]	**(205.9)**	41.2	n/a
Revaluation loss on investment property under development	**(474.9)**	(67.3)	n/a
Loss attributable to shareholders	**(680.1)**	(55.5)	n/a
	US¢	US¢	%
Underlying (loss)/earnings per share[(3)]	**(16.30)**	3.26	n/a
Loss per share	**(53.84)**	(4.39)	n/a
Dividends per share[(4)]	**-**	1.50	–100
	US$	US$	%
Net asset value per share	**2.78**	3.26	–15
Adjusted net asset value per share[(5)]	**4.09**	4.70	–13
Net debt/shareholders' funds	**14%**	7%	
Net debt/adjusted shareholders' funds[(5)]	**10%**	5%	

(1) Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.
(2) EBITDA of subsidiaries plus the Group's share of EBITDA of associates and joint ventures.
(3) The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 34 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.
(4) In light of the substantially reduced levels of business due to the impact of COVID-19 pandemic, the Directors withdrew their recommendation of a final dividend in respect of the 2019 financial year. No dividend in respect of the 2020 financial year has been declared or proposed by the Board.
(5) The Group's investment property under development is carried at fair value on the basis of a valuation carried out by independent valuers at 31st December 2020. The other freehold and leasehold interests are carried at amortised cost in the consolidated balance sheet. Both the adjusted net asset value per share and net debt/adjusted shareholders' funds have included the market value of the Group's freehold and leasehold interests.

- more -

MANDARIN ORIENTAL INTERNATIONAL LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2020

OVERVIEW

Government actions to curtail the COVID-19 pandemic drastically reduced both international and domestic travel in 2020. Many countries imposed significant restrictions on people's freedom of movement and on hospitality operations. Against this background, combined total revenue of hotels under management fell by 55% in 2020 compared to 2019, and the Group's profitability was severely impacted.

Extensive cost reductions were implemented from early in the year. Results also benefited from government financial support in some markets. At 31st December 2020, the Group's liquidity position remained robust and was further strengthened with the addition of new committed facilities in early 2021.

2020 FINANCIAL PERFORMANCE

Underlying losses before interest, tax, depreciation and amortisation ('EBITDA') were US$74 million, compared to positive EBITDA of US$155 million in 2019. Underlying losses were US$206 million, comprising US$175 million of losses from operations and a US$31 million post-tax impairment of the carrying value of the Geneva hotel following a significant decrease in the market value of the leasehold interest. In 2019, underlying earnings were US$41 million.

Non-trading items almost entirely comprised a 15% decrease in the valuation of the Causeway Bay site under development (previously the site of The Excelsior hotel in Hong Kong), in line with the overall market trend in respect of reductions in property values. The site under development was valued at some US$2.5 billion, net of future construction costs, a decrease of US$475 million during the year. In 2019, US$97 million of non-trading losses were recognised, again mostly related to the Causeway Bay site under development. Accordingly, losses attributable to shareholders were US$680 million, compared to losses of US$56 million in 2019.

At 31st December 2020, the Group's adjusted net asset value per share was US$4.09, a decrease of 13% compared to the end of 2019, reflecting the losses incurred during the year. Net debt was US$506 million versus US$300 million at the end of 2019 and the Group remains well funded

- more -

with headroom in its available cash and committed facilities of US$328 million. In addition, US$260 million of new facilities were secured in February 2021. The average tenor of the Group's debt facilities was 3.2 years, excluding the new facilities, compared with 4.2 years at the end of 2019. Gearing as a percentage of adjusted shareholders' funds was 10%, taking into account the market value of the Group's properties.

No dividend will be paid in respect of 2020. The Group will consider a resumption of dividend payments when business performance improves.

YEAR IN REVIEW

The Group's operations and financial performance were severely impacted by the unprecedented decline in global travel. Many hotels were closed for several months and, when they opened, hotel performance varied depending on the extent and duration of government restrictions on travel. Management took significant measures to reduce costs both in hotels and in the Group's corporate organisation. The Group's share of payroll across owned hotels and the corporate organisation, the major component of costs in the business, was reduced by some 40% through a combination of measures, including furlough, unpaid leave, reduced pay and redundancies. Substantial reductions in non-payroll costs were also achieved. Many of these measures are continuing.

In Asia, most hotels were able to remain operational, albeit with sharply reduced occupancy due to constraints on travel. There was, however, a recovery in the second half for the Group's managed hotels in the Chinese mainland. In Europe and America, hotels closed for much of the second quarter, with most reopening thereafter. The relaxation of travel restrictions allowed some recovery in business levels. A resurgence in COVID-19 cases towards the end of the year though brought back many, even stricter, restrictions. The Group's managed hotels in resort locations, such as Dubai and Bodrum, performed well when travel conditions permitted.

Non-essential capital expenditure was suspended; however the Group did complete renovations in Boston, Bangkok and Munich. Renovations at the Group's Hong Kong hotel to create new facilities were also completed in early 2021. Restoration work at the 50% owned Mandarin Oriental Ritz, Madrid continued, and the hotel is expected to re-open in the second quarter of 2021. The Causeway Bay site under development remains on track to complete in 2025.

The Group's development pipeline remains strong, with many projects at an advanced stage. The Group took over the management of the Emirates Palace in Abu Dhabi at the beginning of 2020 and the Al Faisaliah Hotel in Riyadh in March 2021, increasing the total number of hotels under operation to 34. New management contracts were signed and announced in 2020 in respect of Zurich and Vienna. In 2021, a new resort was announced in Da Nang, Vietnam. The recently restored Mandarin Oriental Ritz, Madrid, and Mandarin Oriental Bosphorus, Istanbul are expected to open in the first half of 2021.

PEOPLE

2020 has been extremely challenging for colleagues. It has been inspiring to see their continuing resilience and dedication to delivering exceptional service whilst finding new ways to innovate and delight customers in difficult circumstances. On behalf of the Directors, I would like to express my sincere appreciation for the exemplary level of teamwork, commitment and passion that colleagues have shown and to recognise the contribution of colleagues who have left the Group.

John Witt succeeded me as Managing Director on 15th June 2020. I will continue as Chairman. Jeremy Parr and Mark Greenberg stepped down as Directors of the Company on 3rd December 2020 and 31st December 2020 respectively. We would like to thank them for their contribution to the Board during their tenure.

OUTLOOK

2020 was an extremely difficult year with a significant reduction in global travel. Management actions, together with financial support by governments in some markets, led to lower losses in the second half of the year. Trading conditions remain extremely challenging, and an underlying loss is expected for the first half of 2021. The outlook for the full year remains highly uncertain, and will be dependent on the removal of barriers to travel and continuation of government support measures. Mandarin Oriental remains in a strong competitive position, however, with robust liquidity and a powerful brand that customers will return to when travel restrictions allow.

Ben Keswick
Chairman

GROUP CHIEF EXECUTIVE'S REVIEW

MARKET CONDITIONS

The COVID-19 pandemic and government actions to control its spread had an unprecedented impact on global travel in 2020. Policy responses varied by territory and changed during the year, with the introduction of new requirements for entering countries and in some instances, almost complete border closures. Social distancing measures also impacted food and beverage and spa operations.

In Asia, border controls started at the end of January 2020 and were generally tightened through the year, reducing international travel to near zero. The ability to travel domestically varied depending on the extent of restrictions, making it extremely difficult for hospitality businesses to operate. In Europe and America, restrictive measures began in March with governments requiring people to stay at home and many businesses required to close. A lot of these restrictions were relaxed over the summer months, allowing some recovery in travel. A resurgence in COVID-19 cases towards the end of the year led to their reinstatement, this time with further border controls, extended quarantine times and blanket travel bans between certain areas. Government financial support was available in many territories to soften the substantial financial impact on businesses.

At the end of 2020, most parts of the world had extensive restrictions on travel and on food and beverage operations. These restrictions remain in place and look likely to continue for some time. It is however, unclear to what degree government financial support will continue. As a result, the travel and hospitality sectors remain largely depressed. There have been instances where more normal levels of travel have been possible, notably within the Chinese mainland and certain resort locations which have benefited from a continued appetite for leisure travel to warmer destinations.

RESPONSE TO THE PANDEMIC

We faced extremely challenging operating conditions throughout 2020. During the year, we took steps to mitigate the substantial operational and financial impact on our business. Key actions taken include:

1. **Containing costs:** We conducted an extensive review of costs across hotels and the corporate organisation, considering location-specific business levels, anti-pandemic restrictions and available government financial support. The Group's share of payroll, the largest component of costs, was reduced by around 40% across owned hotels and the corporate organisation compared to 2019. Colleagues experienced reduced pay, unpaid leave and furlough measures for much of the year. At the end of 2020, over 40% of colleagues remained on some form of payroll measure.

   While the Group drew upon government financial support where available, some reductions in the workforce were necessary to contain costs. During the year, headcount across hotels and the corporate organisation was reduced from around 13,920 to 10,770 through redundancies and natural attrition. Our colleagues and the service that they deliver are the core of our business and the Group will continue to ensure that actions taken are balanced with maintaining Mandarin Oriental service standards.

   Every possible avenue to reduce costs was proactively pursued. Non-payroll costs including advertising and marketing expenses were significantly reduced or suspended, except for selective digital marketing. Hotel capital expenditure was curtailed and all non-essential projects were postponed or cancelled.

2. **Rethinking revenue:** The vast majority of our operating income in a typical year is generated from our rooms as opposed to our food and beverage or spa operations. Rooms demand is almost entirely related to international travel, except within the Chinese mainland and the United States, where domestic demand is substantial. In 2020, this was reversed, as most hotels were primarily limited to domestic demand. As a result, we had to pivot our offering toward domestic customers. This involved familiarising them with the concept of 'staycations' (i.e. a short holiday or break spent in one's home country rather than abroad). As customers gradually adapted to the new circumstances and some governments started to encourage domestic spending, we were often able to capture a solid share of domestic demand through competitive room pricing and by incorporating food and beverage and spa promotions into our offers. Where regulations allowed, our food and beverage operations continued to generate reasonably strong traffic and innovated to meet demand for food delivery outside of our properties.

- more -

3. **Maintaining health and safety standards:** The comfort, health and safety of our customers and colleagues has always been our primary concern. Mandarin Oriental was one of the first hotel groups to initiate enhanced health and safety protocols, publicised as our 'We Care' programme to ensure customers and colleagues felt safe when they were with us. 'We Care' is a set of measures comprising individual consultations prior to arrival, to cater to personal hygiene preferences and interaction levels, as well as heightened disinfection protocols. We continue to closely monitor and adapt measures to meet changing local and global requirements.

GROUP PERFORMANCE IN 2020

In 2020, border controls and restrictions on mobility and hospitality operations constrained the ability of our hotels to generate revenues and impacted Group profitability. In April, the lowest point of the year, the Group's global portfolio averaged only 468 paying room guests per day, compared with over 7,155 per day during the same period in 2019. Moreover, through 2020 only one million paying room guests stayed at our hotels, compared to 2.5 million in 2019. The combined total revenue from hotels under management fell by 55% and underlying EBITDA losses of US$74 million were incurred.

In Hong Kong and the Chinese mainland, the impact started to be felt as occupancy levels fell to single-digits in February and in the rest of Asia, reached low double-digits in March. In Europe, the Middle East and America, the impact started several weeks later.

During the second quarter, most hotels in Europe and America were either fully or practically closed. We put extensive measures in place to reduce costs. In Asia, most hotels remained operational but at single-digit occupancy levels. The Chinese mainland was the sole exception, where operating conditions improved driven by a recovery in domestic demand.

In the third quarter, domestic and some short-haul international demand in specific locations started to return. Most hotels were reopened but operated at very modest levels of occupancy.

In the fourth quarter, many of the hotels in Asia and America saw some further improvement in occupancy driven by staycation business. Notably, the 494-key Mandarin Oriental, Hong Kong, was able to improve average occupancy to 29% in the fourth quarter. In the Chinese mainland, our hotels in Sanya, Beijing and Guangzhou reached December occupancy levels in line with

2019. Dubai also benefited from more relaxed regulations and reported average occupancy of 71% in the fourth quarter. In Europe however, business activity worsened as mobility restrictions were tightened due to a resurgence in COVID-19 cases.

NEAR-TERM PRIORITIES

It is difficult to accurately predict when business levels will recover as trading conditions remain highly uncertain. We are focused on managing costs during periods of fluctuating demand and on being prepared for when travel and operations are able to resume in full. Our near-term priorities are:

1. **Driving revenue**: We expect that demand will remain significantly below normal levels in the first half of 2021. Performance in the second half will depend on the relaxation of travel restrictions and the degree of pent up customer demand. Where tight border controls remain in place, growing our share of domestic demand will require price flexibility and creativity to keep customers coming back. At the same time, travel between some destinations is likely to resume faster than others and we will be closely monitoring this to ensure that our hotels are well-positioned. We must also be alert to new revenue opportunities.

2. **Controlling costs**: Extensive cost measures remain in place. Costs in each hotel are actively reviewed on an individual basis, considering the local demand outlook and availability of government financial support. While containing financial losses is a key priority, this must be balanced with the need to maintain motivation and morale among colleagues who have been loyal to Mandarin Oriental for many years. We will be dependent upon them to deliver exceptional experiences when demand returns.

3. **Maintaining a strong funding position**: We have taken appropriate measures to maintain a robust liquidity position to absorb financial losses until such time as there is a recovery in business levels.

4. **Growing the pipeline**: The Group operates 34 hotels today and our strategy for expansion is based on the opening of new managed hotels and residences. For this to be fulfilled, we must maintain and continue to grow the pipeline of development projects. While there have been some delays in the scheduled opening dates of new properties, our pipeline remains robust with 20 announced hotel projects and two standalone residences expected to open in the next five years. The Group will receive significant branding fees when individual units are sold.

Continued interest from owners and developers in Mandarin Oriental is a signal of our underlying growth momentum, putting the Group in a strong position once market conditions improve.

STRATEGIC PRIORITIES

Whilst our primary focus has been on crisis management through the pandemic, we also are continuing to progress our strategic priorities to drive future growth. Key achievements during the year include:

1. **Brand:** Despite the effective suspension of our brand and advertising expenditure, there were over 180,000 sign-ups to our *Fans of M.O.* customer recognition programme. We also evolved the programme to offer new benefits and recognition to our most loyal Fans.

2. **People:** In the face of enormous personal and professional challenges faced by colleagues, there was a considerable effort by all to sustain ongoing engagement. Through our virtual engagement activities, we were able to give our colleagues access to personal growth opportunities and to connect colleagues across the world. I am enormously grateful to all of our colleagues who contributed to these engagement activities, which strengthen our culture. We also launched our *Forever Fans* alumni programme which will enable past, present and future colleagues to connect and maintain a long-lasting relationship with Mandarin Oriental.

3. **Customers:** Our colleagues always put the customer first and when I speak with guests, this is consistently the reason that they return to us. Customer expectations are reaching a level where data will play a central role in enabling colleagues to deliver exceptional experiences. In the future, we will strengthen colleague intuition with insights drawn from data so that we are able to deliver the personalisation that customers expect. We have made significant progress this year connecting our data sources across the Group into a single platform.

4. **Digital:** Over the last two years we have replaced property management systems, the technology infrastructure at the heart of a hotel, across the Group. Replacing core systems is critical to streamlining operations, enabling colleagues to spend more time with customers and less time with administrative tasks. We will continue to target infrastructure transformations to modernise our core business systems. We also intend to push ahead with investments in our digital platforms.

Having started our journey from a single hotel in 1963, our vision was to be widely recognised as the best luxury hotel group in the world. Our focus has always been to provide exceptional hospitality within our hotels but in future, we will also need to create meaningful relationships with our customers beyond the four walls of a hotel.

In 2020, we set out a new vision for the Group: *A World of Fans.* This celebrates the global recognition that our brand has achieved, while also setting a new purpose and challenge for the Group to look for new ways to engage more broadly with customers everywhere and to use every customer interaction, within or outside our hotels, physical or digital, to convert a customer into a Fan of Mandarin Oriental.

We recently announced a couple of initiatives that signalled this redefined intent. Firstly, by forming the *O&MO Alliance*, we found an ideal partner in the Oberoi Group whose hotel portfolio will provide Mandarin Oriental customers with access to the most luxurious destinations in India, a market where we do not currently have any hotels. Through collaborating with Oberoi, we will have an opportunity to grow our Indian customer base. Secondly, we made a small investment in a peer-to-peer luxury home rental platform, Stay One Degree. Working with the founders, our objective is for Mandarin Oriental customers to be able to choose between both homes and hotels, to greatly increase the number and type of destinations that we offer.

BUSINESS DEVELOPMENTS

As I outlined previously, maintaining the momentum of our development pipeline and new hotel and residence openings is critical. In 2020, we took over management of the Emirates Palace, Abu Dhabi and announced the takeover of the Al Faisaliah Hotel in Riyadh effective in March 2021. We also announced two management contracts, the first for a new hotel in Vienna and the second for a re-flagging of an existing property in Zurich, whose management we will take on following a full renovation. In 2021, we signed a new resort location in Da Nang, Vietnam.

Our development pipeline remains robust, with 20 hotels and two standalone residences under development. All of these are management agreements for which we receive annual fees with no equity participation. While the pandemic has and will continue to impact construction timelines and there is always a risk that some projects may not complete, many of the projects in the Group’s pipeline are at an advanced stage.

During the year, despite the challenging financial environment, we completed renovations that were already underway at our hotels in Bangkok and Boston. A significant restoration of the Mandarin Oriental Ritz, Madrid is expected to complete in the second quarter of 2021. We also felt it was timely to commence renovations in Hong Kong and Munich, which will position both hotels well to benefit as demand returns.

Good progress was made with the redevelopment of the site in Causeway Bay, Hong Kong, which used to house The Excelsior hotel. In 2019, the Group announced its intent to redevelop the site into a mixed-use commercial building for a cost of some US$650 million, to be financed using a combination of existing and new debt facilities. Demolition was completed in 2020 and approvals to maximise the gross floor area of the site were obtained. Completion of the building remains on schedule for 2025. As previously indicated, it is not the Group’s intention to be the long-term owner of commercial property. Opportunities for the monetisation of this asset will continue to be reviewed.

CORE VALUES

As our business grows and our customer base becomes ever more diverse, evolving our colleague culture remains a priority. We foster a culture of inclusivity and empowerment, where colleagues feel comfortable in being themselves and in voicing their ideas. We encourage our colleagues to believe in, and deliver, our core values of doing the right thing for customers, communities and the planet. Sustainability and innovation form the foundation of our culture.

Our approach to sustainability focuses on combining the power of grass-roots action with global, Group-wide initiatives. One such example is our commitment to completely eliminate single-use plastic across all hotels. This encompasses items in our rooms, restaurants, spas and lobbies as well as in back of house areas unseen by the customer such as kitchens. We set ourselves an ambitious completion date of the end of March 2021. This has hugely accelerated efforts across hotels to find sustainable alternatives to single-use plastic. Whilst we will not fully meet this target and the pandemic has certainly played a part in this, we hope that, by the end of June, we will have reduced the single use plastic usage in our properties by over 95% in a normalised year. By setting an aggressive timeline, we have ensured that actions are taken now and that a meaningful reduction in plastic usage has been achieved in very short order.

The Group is committed to four broader sustainability objectives: reducing our environmental footprint, increasing our social impact, responsible procurement and diversity and inclusion. Specific targets within these areas will be included in our Sustainability Report that will be published in May 2021. In 2021, we will be focused on increasing responsible procurement for agricultural commodities, seafood and paper, progressing towards our new five and ten year environmental goals and identifying new social inclusion and waste management initiatives.

In the area of innovation, we are focused on removing the barriers to creativity and thinking differently. This means flattening hierarchies, removing bureaucracy and eliminating the fear of failure. Our colleagues innovate every day as they constantly delight and surprise our customers. We must continue to support and reward these behaviours to proactively evolve our culture over time.

COLLEAGUES

I would like to express my deepest thanks for the dedication of our colleagues in the face of the toughest conditions that our industry has faced. Despite the challenges that the year presented, they continued delivering exceptional service to our customers. At the same time, we asked many colleagues to accept a variety of pay reductions, unpaid leave and furlough to help our business through this period. Our people are the heart of everything that we do and their passionate commitment to delight customers, no matter what the circumstances, underpins Mandarin Oriental.

It was with sadness that we said goodbye to some of our colleagues who left the Group. I would like to thank them for their dedication over many years and wish them the best for the future.

LOOKING TO THE FUTURE

Trading conditions continue to be difficult. While this is likely to persist in the short-term, I remain confident about the positive long-term future of our industry and Mandarin Oriental's growth prospects.

The pandemic has accelerated trends in consumer behaviour that have been prevalent in the travel industry for some time. For example, the shift to digital channels, the increasing demand for leisure-oriented experiences and the reduction in corporate travel. When I look back at the

- more -

pockets of demand during 2020, I am encouraged that people's underlying appetite for travel and their desire for aspirational, luxury experiences will grow.

The Group's balance sheet has been conservatively geared to sustain business downturns and today remains well-positioned to finance us through this crisis. I am also confident that we have taken the right steps to reduce losses and we will continue to monitor our business levels actively. When travel does return, the strength and reputation of Mandarin Oriental, and the extraordinary service delivered by our colleagues, will draw our customers back to us and welcome new Fans to Mandarin Oriental.

James Riley
Group Chief Executive

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2020

	2020			2019		
	Underlying business performance **US$m**	Non-trading Items **US$m**	Total **US$m**	Underlying business performance US$m	Non-trading Items US$m	Total US$m
Revenue *(note 2)*	**183.7**	**-**	**183.7**	566.5	-	566.5
Cost of sales	**(233.0)**	**-**	**(233.0)**	(364.7)	-	(364.7)
Gross (loss)/profit	**(49.3)**	**-**	**(49.3)**	201.8	-	201.8
Selling and distribution costs	**(31.4)**	**-**	**(31.4)**	(38.8)	-	(38.8)
Administration expenses	**(97.5)**	**-**	**(97.5)**	(117.2)	-	(117.2)
Other operating (expense)/income	**(7.6)**	**0.7**	**(6.9)**	25.2	(32.7)	(7.5)
Change in fair value of investment property under development	**-**	**(474.9)**	**(474.9)**	-	(67.3)	(67.3)
Operating (loss)/profit *(note 3)*	**(185.8)**	**(474.2)**	**(660.0)**	71.0	(100.0)	(29.0)
Financing charges	**(14.2)**	**-**	**(14.2)**	(18.1)	-	(18.1)
Interest income	**1.6**	**-**	**1.6**	3.4	-	3.4
Net financing charges	**(12.6)**	**-**	**(12.6)**	(14.7)	-	(14.7)
Share of results of associates and joint ventures *(note 4)*	**(26.8)**	**-**	**(26.8)**	(1.7)	-	(1.7)
(Loss)/profit before tax	**(225.2)**	**(474.2)**	**(699.4)**	54.6	(100.0)	(45.4)
Tax *(note 5)*	**19.4**	**-**	**19.4**	(13.5)	3.3	(10.2)
(Loss)/profit after tax	**(205.8)**	**(474.2)**	**(680.0)**	41.1	(96.7)	(55.6)
Attributable to:						
Shareholders of the Company *(notes 6 & 7)*	**(205.9)**	**(474.2)**	**(680.1)**	41.2	(96.7)	(55.5)
Non-controlling interests	**0.1**	**-**	**0.1**	(0.1)	-	(0.1)
	(205.8)	**(474.2)**	**(680.0)**	41.1	(96.7)	(55.6)

	US¢		**US¢**	US¢		US¢
(Loss)/earnings per share (*note 6)*						
- basic	**(16.30)**		**(53.84)**	3.26		(4.39)
- diluted	**(16.30)**		**(53.84)**	3.26		(4.39)

Mandarin Oriental International Limited
Consolidated Statement of Comprehensive Income
for the year ended 31st December 2020

	2020 US$m	2019 US$m
Loss for the year	**(680.0)**	(55.6)
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	**5.2**	3.4
Revaluation surplus of right-of-use assets before transfer to investment property under development *(note 9)*	**-**	2,943.4
Tax on items that will not be reclassified	**(0.9)**	(0.6)
	4.3	2,946.2
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
- net gains arising during the year	**80.0**	25.0
Cash flow hedges		
- net losses arising during the year	**(11.4)**	(0.4)
Tax relating to items that may be reclassified	**1.9**	0.1
Share of other comprehensive income of associates and joint ventures	**1.8**	3.1
	72.3	27.8
Other comprehensive income for the year, net of tax	**76.6**	2,974.0
Total comprehensive (expense)/income for the year	**(603.4)**	2,918.4
Attributable to:		
Shareholders of the Company	**(603.9)**	2,918.4
Non-controlling interests	**0.5**	-
	(603.4)	2,918.4

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 31st December 2020

	2020 US$m	2019 US$m
Net assets		
Intangible assets	**45.4**	53.0
Tangible assets *(note 8)*	**1,181.5**	1,174.6
Right-of-use assets	**297.4**	300.3
Investment property under development *(note 9)*	**2,528.3**	2,967.7
Associates and joint ventures	**231.6**	203.1
Other investments	**16.1**	15.9
Deferred tax assets	**17.8**	10.6
Pension assets	**5.5**	1.3
Non-current debtors	**5.1**	6.2
Non-current assets	**4,328.7**	4,732.7
Stocks	**6.0**	6.2
Current debtors	**71.7**	97.2
Current tax assets	**3.1**	1.9
Bank and cash balances	**164.6**	270.7
Current assets	**245.4**	376.0
Current creditors	**(144.6)**	(166.0)
Current borrowings *(note 10)*	**(64.2)**	(2.5)
Current lease liabilities	**(7.0)**	(7.0)
Current tax liabilities	**(10.1)**	(19.1)
Current liabilities	**(225.9)**	(194.6)
Net current assets	**19.5**	181.4
Long-term borrowings *(note 10)*	**(606.6)**	(568.6)
Non-current lease liabilities	**(170.1)**	(168.4)
Deferred tax liabilities	**(47.1)**	(59.4)
Pension liabilities	**(0.3)**	(0.2)
Non-current creditors	**(10.9)**	(0.9)
	3,513.2	4,116.6
Total equity		
Share capital	**63.2**	63.2
Share premium	**499.7**	499.7
Revenue and other reserves	**2,946.6**	3,550.1
Shareholders' funds	**3,509.5**	4,113.0
Non-controlling interests	**3.7**	3.6
	3,513.2	4,116.6

Mandarin Oriental International Limited
Consolidated Statement of Changes in Equity
for the year ended 31st December 2020

	Share capital **US$m**	Share premium **US$m**	Capital reserves **US$m**	Revenue reserves **US$m**	Asset revaluation reserves **US$m**	Hedging reserves **US$m**	Exchange reserves **US$m**	Attributable to shareholders of the Company **US$m**	Attributable to non-controlling interests **US$m**	Total equity **US$m**
2020										
At 1st January	**63.2**	**499.7**	**260.3**	**434.8**	**2,943.4**	**-**	**(88.4)**	**4,113.0**	**3.6**	**4,116.6**
Total comprehensive income	**-**	**-**	**-**	**(675.5)**	**-**	**(9.7)**	**81.3**	**(603.9)**	**0.5**	**(603.4)**
Change in interest in a subsidiary	**-**	**-**	**-**	**0.4**	**-**	**-**	**-**	**0.4**	**(0.4)**	**-**
At 31st December	**63.2**	**499.7**	**260.3**	**(240.3)**	**2,943.4**	**(9.7)**	**(7.1)**	**3,509.5**	**3.7**	**3,513.2**
2019										
At 1st January	63.1	497.8	262.5	525.0	-	0.6	(116.6)	1,232.4	3.8	1,236.2
Total comprehensive income	-	-	-	(52.6)	2,943.4	(0.6)	28.2	2,918.4	-	2,918.4
Dividends paid by the Company	-	-	-	(37.9)	-	-	-	(37.9)	-	(37.9)
Issue of shares	0.1	0.1	-	-	-	-	-	0.2	-	0.2
Share-based long-term incentive plans	-	-	(0.3)	-	-	-	-	(0.3)	-	(0.3)
Change in interest in a subsidiary	-	-	-	0.2	-	-	-	0.2	(0.2)	-
Transfer	-	1.8	(1.9)	0.1	-	-	-	-	-	-
At 31st December	63.2	499.7	260.3	434.8	2,943.4	-	(88.4)	4,113.0	3.6	4,116.6

Revenue reserves as at 31st December 2020 included cumulative fair value loss on the investment property under development of US$542.2 million (2019: US$67.3 million).

Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2020

	2020 US$m	2019 US$m
Operating activities		
Operating loss *(note 3)*	**(660.0)**	(29.0)
Depreciation, amortisation and impairment	**124.2**	91.9
Other non-cash items	**472.8**	69.0
Movements in working capital	**1.4**	(3.1)
Interest received	**1.8**	3.4
Interest and other financing charges paid	**(14.1)**	(19.2)
Tax paid	**(9.6)**	(6.0)
	(83.5)	107.0
Dividends and interest from associates and joint ventures	**-**	5.9
Cash flows from operating activities	**(83.5)**	112.9
Investing activities		
Purchase of tangible assets	**(38.9)**	(41.7)
Additions to investment property under development	**(21.6)**	(15.1)
Purchase of intangible assets	**(5.3)**	(8.3)
Payment on Munich expansion	**-**	(1.1)
Purchase of other investments	**(0.6)**	(1.1)
Purchase of an associate	**(2.0)**	-
Advance to associates and joint ventures	**(40.5)**	(16.7)
Repayment of loans to associates and joint ventures	**0.4**	3.6
Cash flows from investing activities	**(108.5)**	(80.4)
Financing activities		
Issue of shares	**-**	0.1
Drawdown of borrowings	**88.4**	555.8
Repayment of borrowings	**(0.1)**	(522.3)
Principal elements of lease payments	**(6.0)**	(6.4)
Dividends paid by the Company *(note 12)*	**-**	(37.9)
Cash flows from financing activities	**82.3**	(10.7)
Net (decrease)/increase in cash and cash equivalents	**(109.7)**	21.8
Cash and cash equivalents at 1st January	**270.7**	246.8
Effect of exchange rate changes	**3.6**	2.1
Cash and cash equivalents at 31st December	**164.6**	270.7

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

(a) Going concern

The Group's operations and financial performance were severely impacted by the unprecedented decline in both international and domestic travel in 2020 due to the COVID-19 pandemic. Most governments introduced measures that impacted people's freedom of movement and led to an overall 68% decline in revenue in 2020. It is unclear how long it will take for the Group's revenues to recover to pre-pandemic levels, although they are expected to substantially improve once government restrictions are lifted.

The Group has taken a number of actions to reduce costs and preserve cash both in the hotels in which it has an ownership interest as well as the corporate organisation. These included the suspension of non-essential capital expenditure and non-payroll expenses, significantly reduced payroll costs through furlough, unpaid leave, reduced pay and redundancies as well as participation in government financial support measures wherever possible. In addition, the Directors withdrew their recommendation of a final dividend in respect of the 2019 financial year and a dividend is not proposed in respect of 2020.

While a significant amount of costs has been reduced, there are certain fixed costs relating to property ownership that continue to be incurred. In 2020, the Group incurred total cash outflow from operating activities of US$84 million (2019: cash inflow of US$113 million). A return to positive operating cash flow is expected once revenues substantially recover.

The Group has equity interests in a number of prime hotel properties which are carried on the Group's balance sheet at historical cost less depreciation. Taking into account the market value of the Group's property interests, the adjusted shareholders' funds were US$5.2 billion at 31st December 2020.

The Group has historically maintained a conservatively financed balance sheet with significant levels of liquidity. While net debt increased during 2020, at 31st December 2020 gearing was 10% of adjusted shareholders' funds. At 31st December 2020, the Group had total liquidity of US$328 million, comprising US$163 million of undrawn committed facilities and US$165 million of cash balances. The Group's facilities are not subject to any cash flow covenants and had an average remaining tenor of 3.2 years. In February 2021, the Group further strengthened its liquidity by securing new committed facilities of US$260 million, with a tenor of two years. This robust liquidity position enables the Group to sustain a prolonged downturn in the hospitality industry should that eventuate. Overall, the Group's balance sheet position remains strong.

Trading conditions in 2021 remain highly uncertain, with limited visibility on the pace and scale of a market recovery. In adopting the going concern basis for preparing the financial statements, the Directors have considered a stress-test cash flow forecast which assumes the majority of the Group's hotels are closed as a consequence of government restrictions for a period of 12 months from the date of approval of the financial statements.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION *(CONTINUED)*

(a) Going concern *(continued)*

Having considered the outcome of the stress-test cash flow forecast, the Directors are of the opinion that the Group has sufficient resources to continue operating for a period of at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

(b) Basis of preparation

The financial information contained in this announcement has been based on the audited results for the year ended 31st December 2020 which have been prepared in conformity with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board.

The Group has elected to early adopt the 'Interest Rate Benchmark Reform – Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7' (effective 1st January 2020) in relation to hedge accounting for the Group's annual reporting period commencing 1st January 2019.

The Group has adopted the following changes in relation to rent concessions for the annual reporting period commencing 1st January 2020.

<u>COVID-19 Related Rent Concessions: Amendment to IFRS 16 Leases</u>

The Group has early adopted the Amendment, which became effective 1st June 2020. Where the Group is a lessee, the practical expedient is applied to account for the change in lease payments resulting from rent concessions granted as a direct consequence of the COVID-19 pandemic. The Group elects not to assess these concessions as lease modifications when all of the following conditions are met:

(i) the revised lease payments are substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) reduction in lease payments relates to payment due on or before 30th June 2021; and

(iii) there is no substantive change to the other terms and conditions of the lease.

Rent concessions fulfilling the above conditions are recognised in the profit and loss over the period in which they cover.

Apart from the above, there are no other amendments which are effective in 2020 and relevant to the Group's operations, that have a significant impact on the Group's results, financial position and accounting policies.

The Group has not early adopted any standard, interpretation or amendments that have been issued but not yet effective.

2. REVENUE

	2020 US$m	2019 US$m
By geographical area:		
Asia	**96.9**	272.2
Europe, Middle East and Africa ('EMEA')	**66.1**	189.5
America	**20.7**	104.8
	183.7	566.5
From contracts with customers:		
Recognised at a point in time	**72.5**	207.3
Recognised over time	**94.8**	339.4
	167.3	546.7
From other sources:		
Rental income	**16.4**	19.8
	183.7	566.5

3. EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION) AND OPERATING LOSS FROM SUBSIDIARIES

	2020 US$m	2019 US$m
By geographical area:		
Asia	**(18.6)**	75.1
EMEA	**(10.5)**	55.6
America	**(32.5)**	6.8
Underlying EBITDA from subsidiaries	**(61.6)**	137.5
Non-trading items *(note 7)*		
Fire at Mandarin Oriental Hyde Park, London		
- repair expenses and write-off of tangible assets and other incidental expenses	**-**	(8.3)
- insurance recovery for replacement of tangible assets and other incidental expenses	**-**	9.0
Closure of The Excelsior, Hong Kong – other costs	**-**	(6.5)
Change in fair value of investment property under development	**(474.9)**	(67.3)
Change in fair value of other investments	**0.7**	(1.5)
	(474.2)	(74.6)
EBITDA from subsidiaries	**(535.8)**	62.9
Underlying depreciation, amortisation and impairment from subsidiaries	**(124.2)**	(66.5)
Non-trading items *(note 7)*		
Closure of The Excelsior, Hong Kong		
- accelerated depreciation and amortisation	**-**	(25.4)
Operating loss	**(660.0)**	(29.0)

3. EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION) AND OPERATING LOSS FROM SUBSIDIARIES *(CONTINUED)*

For the year ended 31st December 2020, the Group had received government grants, the majority of which were in support of employee retention of US$31.9 million. In addition, there were rent concessions of US$2.3 million. Both amounts were in relation to the COVID-19 pandemic. These subsidies were accounted for as other operating income.

Mandarin Oriental, Geneva was impaired in 2020. This included an accelerated depreciation for the leasehold property of US$41.9 million and an accelerated amortisation for the leasehold land of US$3.4 million. Taking into account a deferred tax credit of US$14.4 million *(note 5)*, the net impact of the impairment was US$30.9 million, which was reflected in the underlying loss.

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	EBITDA **US$m**	Depreciation and amortisation **US$m**	Operating (loss)/ profit **US$m**	Net financing charges **US$m**	Tax **US$m**	Net (loss)/ profit **US$m**
2020						
By geographical area:						
Asia	**0.7**	**(10.2)**	**(9.5)**	**(1.6)**	**2.4**	**(8.7)**
EMEA	**(4.4)**	**(0.4)**	**(4.8)**	**(0.1)**	**-**	**(4.9)**
America	**(8.9)**	**(2.7)**	**(11.6)**	**(1.6)**	**-**	**(13.2)**
	(12.6)	**(13.3)**	**(25.9)**	**(3.3)**	**2.4**	**(26.8)**
2019						
By geographical area:						
Asia	16.7	(11.1)	5.6	(1.8)	(0.3)	3.5
EMEA	(4.0)	(0.4)	(4.4)	-	-	(4.4)
America	4.3	(2.7)	1.6	(2.4)	-	(0.8)
	17.0	(14.2)	2.8	(4.2)	(0.3)	(1.7)

For the year ended 31st December 2020, the results of associates and joint ventures included the Group's share of government grants, the majority of which were in support of employee retention of US$3.7 million. In addition, there were rent concessions of US$0.1 million. Both amounts were in relation to the COVID-19 pandemic.

5. TAX

	2020 US$m	2019 US$m
Tax credited/(charged) to profit and loss is analysed as follows:		
Current tax	**0.6**	(12.7)
Deferred tax	**18.8**	2.5
	19.4	(10.2)
By geographical area:		
Asia	**0.5**	(4.0)
EMEA	**20.6**	(5.0)
America	**(1.7)**	(1.2)
	19.4	(10.2)

Tax relating to components of other comprehensive income is analysed as follows:

	2020 US$m	2019 US$m
Remeasurements of defined benefit plans	**(0.9)**	(0.6)
Cash flow hedges	**1.9**	0.1
	1.0	(0.5)

Tax on profits has been calculated at rates of taxation prevailing in the territories in which the Group operates.

Deferred tax in 2020 included a credit of US$14.4 million in relation to the impairment of Mandarin Oriental, Geneva *(note 3)*.

The results of associates and joint ventures included the Group's share of tax credits of US$2.4 million (2019: tax charges of US$0.3 million) *(note 4)*.

6. (LOSS)/EARNINGS PER SHARE

Basic loss per share is calculated using loss attributable to shareholders of US$680.1 million (2019: US$55.5 million) and the weighted average number of 1,263.2 million (2019: 1,262.9 million) shares in issue during the year.

Diluted loss per share is calculated using loss attributable to shareholders of US$680.1 million (2019: US$55.5 million) and the weighted average number of 1,263.2 million (2019: 1,263.2 million) shares in issue after adjusting for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

The weighted average number of shares is arrived at as follows:

	Ordinary shares in millions	
	2020	2019
Weighted average number of shares for basic loss/earnings per share calculation	**1,263.2**	1,262.9
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	**-**	0.3
Weighted average number of shares for diluted loss/earnings per share calculation	**1,263.2**	1,263.2

Additional basic and diluted loss/earnings per share are also calculated based on underlying loss/profit attributable to shareholders. A reconciliation of earnings is set out below:

	2020			2019		
	US$m	Basic loss per share **US¢**	Diluted loss per share **US¢**	US$m	Basic (loss)/ earnings per share US¢	Diluted (loss)/ earnings per share US¢
Loss attributable to shareholders	**(680.1)**	**(53.84)**	**(53.84)**	(55.5)	(4.39)	(4.39)
Non-trading items *(note 7)*	**474.2**			96.7		
Underlying (loss)/profit attributable to shareholders	**(205.9)**	**(16.30)**	**(16.30)**	41.2	3.26	3.26

7. NON-TRADING ITEMS

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment property under development and investments which are measured at fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets, associates and joint ventures and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

An analysis of non-trading items after interest, tax and non-controlling interests is set out below:

	2020 US$m	2019 US$m
Fire at Mandarin Oriental Hyde Park, London		
- repair expenses and write-off of tangible assets and other incidental expenses	**-**	(8.3)
- insurance recovery for replacement of tangible assets and other incidental expenses	**-**	9.0
Closure of The Excelsior, Hong Kong		
- accelerated depreciation and amortisation	**-**	(22.8)
- other costs	**-**	(5.8)
Change in fair value of investment property under development *(note 9)*	**(474.9)**	(67.3)
Change in fair value of other investments	**0.7**	(1.5)
	(474.2)	(96.7)

8. TANGIBLE ASSETS

	2020 US$m	2019 US$m
Opening net book value	**1,174.6**	1,205.9
Exchange differences	**64.4**	6.4
Additions	**40.4**	42.3
Disposals	**(0.3)**	(0.1)
Depreciation and impairment charge	**(97.6)**	(79.9)
Closing net book value	**1,181.5**	1,174.6

Freehold properties include a property of US$98.1 million (2019: US$102.1 million), which is stated net of tax increment financing of US$18.8 million (2019: US$19.7 million) *(note 11)*.

9. INVESTMENT PROPERTY UNDER DEVELOPMENT

Upon the closure of The Excelsior, Hong Kong on 31st March 2019, its use was changed from a hotel property to a commercial property for redevelopment (the 'Causeway Bay site under development'). The site was revalued and transferred from a right-of-use asset held at historical depreciated cost to an investment property under development subject to regular valuation reviews. A revaluation surplus of US$2,943.4 million was recognised to the asset revaluation reserves through other comprehensive income on 31st March 2019. Subsequent fair value changes of the investment property under development has been recognised as a non-trading item in the profit and loss in the period to which it relates.

	2020 US$m	2019 US$m
Opening fair value	**2,967.7**	-
Transfer from right-of-use assets at 31st March 2019	**-**	2,993.6
Exchange differences	**12.1**	25.5
Additions	**23.4**	15.9
Decrease in fair value	**(474.9)**	(67.3)
Closing fair value	**2,528.3**	2,967.7

10. BORROWINGS

	2020 US$m	2019 US$m
Bank loans	**666.7**	567.2
Other borrowings	**4.1**	3.9
	670.8	571.1
Current	**64.2**	2.5
Long-term	**606.6**	568.6
	670.8	571.1

11. TAX INCREMENT FINANCING

	2020 US$m	2019 US$m
Netted off against the net book value of property *(note 8)*	**18.8**	19.7

A development agreement was entered into between one of the Group's subsidiaries and the District of Columbia ('District'), pursuant to which the District agreed to contribute to the subsidiary US$33.0 million out of the net proceeds obtained through the issuance and sale of certain tax increment financing bonds ('TIF Bonds') for the development and construction of Mandarin Oriental, Washington D.C.

The receipt of the TIF Bonds has been treated as a government grant and netted off against the net book value in respect of the property. The TIF Bonds are being amortised over 39 years up to February 2043.

12. DIVIDENDS

	2020 US$m	2019 US$m
Final dividend in respect of 2019 of nil (2018: US¢1.50 per share)	**-**	18.9
Interim dividend in respect of 2020 of nil (2019: US¢1.50 per share)	**-**	19.0
	-	37.9

In light of the substantially reduced levels of business due to the impact of COVID-19 pandemic, the Directors withdrew their recommendation of a final dividend in respect of the 2019 financial year. No dividend in respect of the 2020 financial year has been declared or proposed by the Board.

13. CAPITAL COMMITMENTS

At 31st December 2020, total capital commitments of the Group amounted to US$728.7 million (2019: US$765.6 million). This primarily related to capital commitments for the Causeway Bay site under development, which is expected to complete in 2025.

14. RELATED PARTY TRANSACTIONS

The parent company of the Group is Jardine Strategic Holding Limited ('JSH') and the ultimate holding company of the Group is Jardine Matheson Holdings Limited ('JMH'). Both companies are incorporated in Bermuda.

In the normal course of business, the Group undertakes a variety of transactions with its associates and joint ventures and with JMH's subsidiaries, associates and joint ventures. The more significant of these transactions are described below:

During 2020, the Group managed six (2019: six) associate and joint venture hotels and received management fees of US$4.2 million (2019: US$14.5 million) based on long-term management agreements on normal commercial terms.

The Group provided hotel management services to Hongkong Land ('HKL'), a subsidiary of JSH. Total management fees received from HKL in 2020 amounted to US$1.2 million (2019: US$1.9 million), based on long-term management agreements on normal commercial terms.

The Group pays a management fee to Jardine Matheson Limited, a subsidiary of JMH, in consideration for certain management consultancy services. The fee is calculated as 0.5% of the Group's net profit. No fee was paid in 2020 (due to underlying losses). In 2019, the fee was US$0.1 million.

In respect of the Causeway Bay site under development, the Group paid consultancy fees of US$2.1 million (2019: US$2.0 million) to HKL in consideration for project management consultancy services. In addition, Gammon Construction Limited ('GCL'), an associate of JMH, completed value of works of US$16.3 million (2019: US$8.0 million). The HKL agreement and GCL contract were arranged on normal commercial terms.

There were no other related party transactions that might be considered to have a material effect on the financial position or performance of the Group that were entered into or changed during the year.

Amount of outstanding balances with associates and joint ventures are included in debtors as appropriate.

Mandarin Oriental International Limited
Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk will be set out in more detail in the Corporate Governance section of the Company's 2020 Annual Report (the 'Report'). The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement, Group Chief Executive's Review and other parts of the Report.

1. Economic and Financial Risk

   The Group's business is exposed to the risk of negative developments in global and regional economies and financial markets, either directly or through the impact on the Group's investment partners, third-party hotel owners and developers, bankers, suppliers or customers. These developments can result in recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs. Such developments may increase operating costs, reduce revenues, lower asset values or result in the Group being unable to meet in full its strategic objectives. These developments could also adversely affect travel patterns which would impact demand for the Group's products and services.

   The steps taken by the Group to manage its exposure to financial risk will be set out in the Financial Review and in a note to the Financial Statements in the Report.

2. Commercial and Market Risk

   Risks are an integral part of normal commercial activities, and where practicable steps are taken to mitigate such risks.

   The Group operates within the global hotel industry which is highly competitive. Failure to compete effectively in terms of quality of product, levels of service or price can have an adverse effect on earnings. This may also include failure to adapt to rapidly evolving customer preferences and expectations. Significant competitive pressure or the oversupply of hotel rooms in a specific market can lead to reduced margins. Advances in technology creating new or disruptive competitive pressures might also negatively affect the trading environment.

   The Group competes with other luxury hotel operators for new opportunities in the areas of hotel management, residences management and residences branding. Failure to establish and maintain relationships with hotel owners or developers could adversely affect the Group's business.

   The Group also makes investment decisions in respect of acquiring new hotel properties and undertaking major renovations or redevelopments in its owned properties, exposing it to construction risks. The success of these investments is measured over the longer term and as a result is subject to market risk.

2. Commercial and Market Risk *(continued)*

   Mandarin Oriental's continued growth depends on the opening of new hotels and branded residences. Most of the Group's new developments are controlled by third-party owners and developers and can be subject to delays due to issues attributable to planning and construction, sourcing of finance, and the sale of residential units. In extreme circumstances, such factors might lead to the cancellation of a project.

3. Pandemic, Terrorism and Natural Disasters

   The Group's business would be impacted by a global or regional pandemic as this would affect travel patterns, demand for the Group's products and services and possibly the Group's ability to operate effectively. The Group's hotels are also vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism. In addition, a number of the territories in which the Group operates can experience from time to time natural disasters such as typhoons, floods, earthquakes and tsunamis.

4. Key Agreements

   The Group's business is reliant upon joint venture and partnership agreements, property leasehold arrangements, management, license, branding and services agreements or other key contracts. Cancellation, expiry or termination, or the renegotiation of any of these key agreements and contracts, could have an adverse effect on the financial performance of individual hotels as well as the wider Group.

5. Reputational Risk and Value of the Brand

   The Group's brand equity and global reputation is fundamental in supporting its ability to offer premium products and services and to achieving acceptable revenues and profit margins. Any damage to the Group's brand equity or reputation, including as a result of negative effects relating to health and safety, acts or omissions by Group personnel, information system and cybersecurity breaches, loss or misuse of personal data, and any allegations of socially irresponsible policies and practices, might adversely impact the attractiveness of the Group's properties or the loyalty of the Group's guests.

6. Regulatory and Political Risk

   The nature of the Group's global operations mean that it is subject to numerous laws and regulations, including but not limited to those covering employment, competition, taxation, data privacy, foreign ownership, town planning, anti-bribery, money laundering and exchange controls. Changes to laws and regulations have the potential to impact the operations and profitability of the Group's business. Non-compliance with laws and regulations could result in fines and/or penalties. Changes in the political environment, including prolonged civil unrest in the territories where the Group operates, could adversely affect the Group's business.

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Mandarin Oriental International Limited
Principal Risks and Uncertainties *(continued)*

7. Cybersecurity Risk

   The Group's business is ever more reliant on technology in its operations and faces increasing numbers of cyberattacks from groups targeting both individuals and businesses. The privacy and security of guests and corporate information is at risk of being compromised through a breach of our or our suppliers' IT systems or the unauthorised or inadvertent release of information, resulting in brand damage, impaired competitiveness or regulatory action. Cyberattacks may also adversely affect the Group's ability to manage its business operations or operate information technology and business systems, resulting in business interruption, lost revenues, repair or other costs.

Responsibility Statement

The Directors of the Company confirm to the best of their knowledge that:

a) the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and

b) the sections of the Company's 2020 Annual Report, including the Chairman's Statement, Group Chief Executive's Review and the Principal Risks and Uncertainties, which constitute the management report, include a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

James Riley
Craig Beattie

Directors

Dividend Information for Shareholders

In light of the substantially reduced levels of business, no final dividend in respect of the 2020 financial year will be paid.

Mandarin Oriental International Limited
About Mandarin Oriental Hotel Group

Mandarin Oriental Hotel Group is an international hotel investment and management group with luxury hotels, resorts and residences in sought-after destinations around the world. Having grown from its Asian roots over 50 years ago into a global brand, the Group now operates 34 hotels and seven residences in 24 countries and territories, with each property reflecting the Group's oriental heritage and unique sense of place. Mandarin Oriental regularly receives international recognition and awards for outstanding service and quality management, and has a strong pipeline of hotels and residences under development. The Group has equity interests in a number of its properties and adjusted net assets worth approximately US$5.2 billion as at 31st December 2020.

Mandarin Oriental continues to drive its reputation as an innovative leader in luxury hospitality, seeking selective opportunities to expand the reach of the brand, with the aim to maximise profitability and long-term shareholder value.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. Mandarin Oriental Hotel Group International Limited, which operates from Hong Kong, manages the activities of the Group's hotels. Mandarin Oriental is a member of the Jardine Matheson Group.

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2020 can be accessed through the internet at 'www.mandarinoriental.com'.